

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3856-01
Bill No.: SB 708
Subject: Business and Commerce, Corporations
Type: Original
Date: February 4, 2010

Bill Summary: Modifies laws affecting limited liability companies, limited partnerships, and nonprofit companies.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
General Revenue	\$73,437	\$88,125	\$88,125
Total Estimated Net Effect on General Revenue Fund	\$73,437	\$88,125	\$88,125

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Technology Fund	\$6,250	\$7,500	\$7,500
Total Estimated Net Effect on <u>Other</u> State Funds	\$6,250	\$7,500	\$7,500

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Total Estimated Net Effect on FTE	0	0	0

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Office of the Secretary of State** assume that limited liability creations will increase by 5%; therefore, filing fees (General Revenue and Technology Fund) will increase by an estimated \$95,625 annually. Approximately 30,000 new LLC's are filed annually. 75% of the increase (1,125) will be filed online at a fee of \$45 GR ($1,125 \times \$45 = \$50,625$) and \$5 Tech Fund; 25% (375) will be filed in paper format at a fee of \$100 GR ($375 \times \$100 = \$37,500$) and \$5 Tech Fund. Total GR increase in Revenue would be \$88,125 annually; Tech Fund would be \$7,500.

Officials at the **Department of Revenue (DOR)** assume that due to budget constraints, reduction of staff and the limitations within the department's tax systems, changes cannot be made without significant impact to the department's resources and budget. Therefore, the IT portion of the fiscal impact is estimated with a level of effort valued at \$8,882. The value of the level of effort is calculated by taking 2 FTE for 1 month at \$4441 per month.

Additionally DOR states Corporate Tax (Section 347.187)

This legislation limits certain member's responsibility for limited liability company's (LLC) tax liabilities. No FTE have been identified, however, if the Department is tasked with an aggressive enforcement policy, this will change.

Sales Tax: The sole owner of an LLC is still responsible, but the Department could no longer assess each partner on Limited Liability Company's taxed as partnerships.

Oversight assumes that the IT FTE would be handled by existing staff and therefore, no impact is shown in the fiscal note.

Officials at the **Department of Insurance, Financial Institutions and Professional Registration** assume that there is no fiscal impact from this proposal.

Officials from the **Office of the Secretary of State (SOS)** state many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the

ASSUMPTION (continued)

General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain with the core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process.

<u>FISCAL IMPACT - State Government</u>	FY 2011 (10 Mo.)	FY 2012	FY 2013
GENERAL REVENUE			
<u>Revenue</u> - Increased filings of LLC	<u>\$73,437</u>	<u>\$88,125</u>	<u>\$88,125</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>\$73,437</u>	<u>\$88,125</u>	<u>\$88,125</u>
TECHNOLOGY FUND			
<u>Revenue</u> - Increased filings of LLC	<u>\$6,250</u>	<u>\$7,500</u>	<u>\$7,500</u>
ESTIMATED NET EFFECT ON TECHNOLOGY FUND	<u>\$6,250</u>	<u>\$7,500</u>	<u>\$7,500</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2011 (10 Mo.)	FY 2012	FY 2013
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

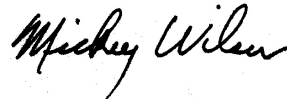
The act defines responsible persons for the purposes of tax liability for limited liability companies. The act eliminates certain duplicate filing requirements for articles of acceptance, articles of merger, and resignation of agents for nonprofit corporations.

If the general partners of a limited partnership withdraw and the remaining partners decide to continue the partnership, the act allows a new general partner to sign the certificate of amendment and attest to the specific event of withdrawal.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of the Secretary of State
Department of Insurance, Financial Institutions and Professional Registration
Department of Revenue

A handwritten signature in black ink that reads "Mickey Wilson". The signature is fluid and cursive, with the first name "Mickey" and last name "Wilson" clearly distinguishable.

Mickey Wilson, CPA
Director
February 4, 2010